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CROSS-BORDER ECONOMIC COOPERATION AS A FORM OF EUROPEAN INTEGRATION OF UKRAINE

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ABSTRACT

The paper is devoted to reviewing of cross border economic cooperation as one of forms of European integration. Nowadays, in this stage of its development, Ukraine is deepening its foreign economic relations, and the neighborhood with EU countries gives to Ukraine an impulse for harmonization of Ukrainian legislation to EU legislation. In the paper there are performed elements of cross border elements as instruments of governmental opportunity to connect inside economic activity with economic activity of related territories of neighboring states that serves to development of foreign economic activity of Ukraine and its integration into the world economics and establishment of good neighborly relations with EU states.

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1. INTRODUCTION

Cross border economic cooperation reflects a complex of foreign economic relations of cross border territories of related states, which are a united system of economic relations. As a part of international economic relations cross border cooperation contributes reduction of economic borders and formation of cross border territories in the structure of a united economic space. Formation of cross border economic relations system is based on globalization and integration process.

Globalization of economic life on the modern stage is accompanied by intense development of regional integration process. It can be reviewed on different levels – continental, transcontinental, regional and local. In Europe, development of the system of cross border cooperation had impact on the European integration development.

2. FOREIGN ECONOMIC RELATIONS AS A PART OF EU INTEGRATION PROCESS

2.1. ECONOMIC SENSE OF “THE BORDER”

Cross border cooperation of Ukraine with the states of the Central and Eastern Europe has found its reflection in scientific works. These contain enough materials in different spheres of cross border cooperation, but they almost do not include critical analyze of real perspectives of cross border cooperation.¹

Cross border cooperation considered using of benefits of neighborhood for solving problems of everyday life and perspective social and economic development of each of related regions.²

In the researches of theoretical limnology, the cross border cooperation is determined as a form of interregional cooperation, international relations of

¹ See: Kalenichenko P.M., Kolesnik V.P. *Granica Druzhy i Mira: O sovetsko-polskom pri-granichnom sotrudnichestve. 1956-1979.* - Lvov: Vishha shkola. izd-vo pri Lvov. un-te, 1980. - 159 s.; Kolesnik V.P. *Internacionalnye svyazi trudyashhihsya prigranichnyx oblastej SSSR i evropejskikh socialisticheskikh stran.* - Lvov: Vishha shkola. Izd-vo pri Lvov. un-te, 1984. - 176 s.; Shmanko G.I., Studenyak P.Yu. *Druzhiba mezhdu lyudmi - druzhba mezhdu narodami.* - Uzhgorod: Karpati, 1984. - 128 s.; Shmanko G.I. *Micna yak krinicya.* - Uzhgorod: Karpati, 1975. - 176 s.; *Plody bratskogo edineniya / I.M. Granchak, P.I. Halus, G.I. Shmanko i dr.* - Uzhgorod: Karpati, 1980. - 224 s.; *Sotrudnichestvo obshhestvennyh organizacij stran socializma / I.N. Melnikova, P.P. Brickij, S.V. Vidnyanskij i dr.* - K.: Nauk. dumka, 1983. - 271 s.

² Kiryukhin O. *Transkordonne spivrobotnictvo u rosijsko-ukraïnskykh vidnosinakh // Ukraina: strategichni prioriteti. Analitichni ocinki.* - K., 2006. - S. 433.

cross border territories, as a level of economic integration, and as a form of community within euro region.³

The Western European works denote three kinds of border cooperation:

- cross border cooperation – direct cross border cooperation between regional and local powers of different sides of the border;
- interregional (transborder) cooperation – cooperation between local regional national powers, the purpose of which is development of integration process in big groups of regions, some of which can be not bound with each other on a territorial level;
- transnational cooperation – cooperation between states including sometimes regions in exact spheres.⁴ Thus, each of the kinds of cooperation has its own specificity. But some of the authors distinguish cross border and transborder cooperation. Implementing the program of integration into the EU Ukraine should use terminology that has already been using in Europe. During the long period of time in Ukraine it has been used the term “cross border cooperation” and only for the last decades it has been used the term “transborder”. Both definitions reflect the sense of cooperation, but the first one is more used in Ukraine and has been used in the conditions of enough closeness of borders for wide exchanges. Nowadays relations between cross border territories are more intensive and in more spheres.

Trans border cooperation means any common acts directed on strengthen and deepening of good neighborly relations between territorial communities or powers which are under jurisdiction of both or several agreed parties and on entering with this purpose in any necessary agreements or reaching understanding.⁵

One of the most active instruments on the way to the promotion of the European Union on a regional level is an active participation of local communities of Ukraine in euro regions, where cooperation of administrative units of European countries is performed with the purpose of combining efforts in economic sphere, development of social, informational and industrial infrastructure, building and modernization of border infrastructure, development of transport

³ Davidov D.M. Prigranichnoe i transgranichnoe sotrudnichestvo kak faktor razvitiya esklav-nogo regiona Rossii // Vestnik Rossijskogo gosudarstvennogo universiteta im. Immanuila Kanta. - Vyp. 6. Ser. Gumanitarnye nauki. - Kaliningrad: Izd-vo RGU im. I. Kanta, 2008. - S. 72.

⁴ Official site of the Association of European Border Regions <http://www.aebr.net/>

⁵ Yevropejska ramkova Konvenciya transkordonnogo spivrobitnictva mizh teritorialnimi obshhinami abo vlastyami (21 travnya 1980 r., m. Madrid). Tekst ukrainskoyu movoyu // Transkordonne spivrobitnictvo yak alternativa novij «zaliznij zavisi» ta konfliktam: kompleksne doslidzhennya. - Uzhgorod: Karpati, 2007. – S. 65

network, scientific and cultural collaboration, environmental protection etc. in accordance to bilateral and multi agreements on cross border cooperation.

Euro region is a form of trans border cooperation between territorial communities or local authorities of cross border regions of two or more states, which have a common border, which is focused on coordination of common efforts and their implementation of agreed measures in different sectors of life in accordance with national legislation and international law for solving common problems and for interests of people, inhabiting its territory on different sides of the state border.⁶

Having the longest border in Europe (19 from 25 regions of Ukraine are cross border ones), common borders with the EU in the West and with Russia and Belarus in the East, Ukraine has a significant experience in organization of international relations. Thus the question of cross border territories, which are specific administrative unities due to geographical and social and economic particularities, are very important for research, because potential exactly of cross border territories in Ukraine have been realizing not fully for nowadays.⁷

Cross border territories of neighboring states are zones of cooperation of national economic complexes. Related territories of both sides of a state border are initiators of a form of international economic cooperation. For Ukraine they have currently strategic role, since the Western Ukrainian cross border territories are a contact zone of intensive cooperation of national economics with EU and its Internal Market.

Considering the above mentioned facts, research of economic aspects of cross border cooperation is very topical on scientific theoretical and practical levels especially in connection with the strategy of European integration of Ukraine. In this way, the purpose of this paper is to show, that cross border cooperation should be considered as a part of European integration at whole.

In conditions of limited raw materials, resource and financial capacity next to the search of inside resources of investment of social and economic development, the task is growing on the strengthen of paying attention to the formation of investment and innovative character of measures of cooperation on international and interregional levels.

Within this context it is very important to stress the development of cross border cooperation with European community. Cross border cooperation in

⁶ Studennikov I. Transkordonne spivrobitnictvo ta jogo rol v procesi evropejskoï integracii Ukraïni // Mizhnarodni zv'yazki Ukraïni: naukovî poshuki i znahidki. - Vip. 15. - K., 2006. - S. 320.

⁷ S. M. Frolov Analiz socialno-ekonomichnoï politiki derzhavi na prikordonnih teritoriyah. Elektronnij resurs. Rezhim dostupu: <http://www.economy.nayka.com.ua/?op=1&z=946>

Ukraine is considered now in two directions – as an instrument of development of the cross border territories and as a factor of realizing European integration.

In this way cross border cooperation has an additional potential to stimulate social and economical development of cross border territories, giving to it features of sustainability and targeting improving the quality of life.

2.2. SPECIAL REGIMES OF ECONOMIC ACTIVITY IN CROSS BORDER COOPERATION

Next to the elements of cross border cooperation it is necessary to recognize creation of special regimes as an important mechanism of formation foreign economical relations in cross border territories in the condition of European integration of Ukraine. Such kinds of regimes are expected to contribute intensification of regional development of cross border territories of Ukraine including deepening and diversification of foreign economic relations with cross border territories of neighboring states of the European Union.

As the basic preferential economic regimes established in Ukraine with the purpose of promotion of cross border territories economic development and intensification of their foreign economic relations, it is possible to consider creation of special economic zones, customs zones and cross border zones as a separate kind of special economic regime. At the same time, in the world practice are used duty-free zones, free trade zones, business incubators and transborder techno parks. Mechanism of action of preferential regimes in cross border territories is in stimulation of foreign investment, mastering of new technologies and high-tech equipment imports, that is leading for doing cross border business and diversification of cross border markets of goods and services.

As a result there is intensification of investment cooperation within cross border territory and also volume of cross border trade of goods and services is increasing.

Additionally, as an element of cross border cooperation it is performed cross border trade, that is a form of economic impact of preferential regimes within development of foreign economic relations in cross border territories.

Key elements of border-trade mechanism for the formation and development of foreign economic relations of cross-border territories are: formation of trade and brokerage networks within cross border territories, development of logistics systems targeted on cross border trade activity service and also impact on development of informal institutes of development of cross border business activity and evolution of cross border markets.

2.3. LEGISLATIVE APPROACHES TO CROSS BORDER COOPERATION DEVELOPMENT

The territories (oblast'), which are involved in cross border cooperation, as a rule, are developing the programs on cross border cooperation and plans of their realization. In comparison with state programs they include provisions on development of exact objects, actions and executors.

Taking into account the importance to adapt the legislation of Ukraine to the requirements of legislation of the European Union it was synchronized in directions of cooperation, providing:

- implementation of Memorandum of understanding on regional policy;
- establishment of interaction between local and regional authorities of Ukraine and the EU in the framework of the EU Committee of the Regions (CoR);
- implementation of the Joint EU initiative on Crimea;
- implementation on regional level projects through EU financial instruments (European Neighborhood and Partnership Instrument) and the financial institutions of the EU (European Investment Bank, European Bank for Reconstruction and Development);
- participation in the Pilot Program for Regional Development of the Eastern Partnership (EaP HIPRR);
- participation in the Joint Operational Programme ENPI CBC "Ukraine-Hungary-Slovakia-Romania";
- participation in the Joint Operational Programme ENPI CBC "Ukraine-Poland-Belarus";
- participation in the Joint Operational Programme ENPI CBC "Romania-Ukraine-Republic of Moldova".⁸

2.4. STEPS OF LEGISLATIVE AMENDMENTS

By making steps forward for adaptation of Ukrainian legislation to the EU legislation on cross border cooperation there is a range of problems and questions that require special attention.

⁸ Regionalne spivrobitnictvo mizh Ukrainoyu ta ES // Oficijnij veb-sajt MZSU [Elektronnij resurs]. – rezhim dostupu: <http://mfa.gov.ua/ua/about-ukraine/European-infrgation/eu-regional-cooperation>.

The legislation of Ukraine on cross and transborder cooperation is characterized by certain failures and inconsistencies with ratified international regulations and standards of the EU and respectively needs improvement and amendments. Topicality of adaptation of domestic legislation to the EU standards is because of policy of European integration and cross border cooperation with the EU states including Poland, Slovakia, Hungary, Romania, and Bulgaria as well.

The first “stone” can be met by researching Ukrainian legislation on cross border cooperation that it is not regulated in the way of economic activity, and the Act of Ukraine “On transborder cooperation” has a range of lacks:

- provisions of the Act do not determine exact mechanisms of transborder cooperation and division of authorities competence, and also financing of transborder cooperation projects;
- there are no exact provisions on regulation of special status of transborder cooperation bodies established by local communities, mechanism of their establishment and functioning in a case of their location in Ukraine.

By the mentioned Act it is denoted, that the bodies of transborder cooperation can be established as legal persons and in separate cases their functions can be delegated to the respective executive bodies of self government and structural divisions of local bodies of executive power.

At the same time in the provisions of the Ukrainian Act of “On local state administration” there are no direct regulations on the administration competence on cross and transborder cooperation. The rules have indirect character as obligations on work with international agreements of Ukraine on an appropriate territory.

Centralization of distribution of powers in the sphere of cross and transborder cooperation in Ukraine is also in order of formation of the structure of the Interdepartmental Commission for support transborder cooperation – consulting body within the Cabinet of Ministers of Ukraine, whose one of the functions is reviewing offers of decision making on transborder cooperation and euro regions. The structure of the Commission is formed from representatives of almost all Ministries, but mandatory involvement of representatives of local communities is not provided.

As a negative factor that discredits the participation of the Ukrainian party should be considered predictable lack of the budget expenditures at different levels of funds guaranteed by the Ukrainian beneficiaries (usually regional councils and regional administrations, other state administrations) for co-financing from the Ukrainian side, required as a part for joint projects with the EU.

Increasing volume of interbudgetary transfers in the whole volume of incomes of local budgets, competence contradictions and inconsistencies between authorities of different levels does not allow financing cross and transborder projects from this source properly. Research of practice shows that the funds are coming from foreign partners.⁹

The urgent need for cross border cooperation is developing of a properly legislative based on regulation of a mechanism of financing cross and transborder projects, that is an integral part of the processes of their implementation.¹⁰

There is also a complex and inflexible system of the national selection process on projects of euro regional cooperation for getting state financial support.

There are significant gaps in the preferential mechanism of stimulation of foreign economic and investment activity of cross and trans-border territories for participants of euro regional cooperation.

It is denoted insufficient competence of subjects of cross and transborder cooperation of Ukraine by preparation of project applications and their applying for selection process on getting international technical assistance within European programmes of cross and transborder cooperation, the European instruments of neighborhood and partnership and financing from the budget of Ukraine.¹¹

On the base of the state policy there are no favorable conditions for increasing of activity and human potential of non-governmental organizations that does not allow mastering possibilities for financing projects of the EU.¹²

⁹ Regionalne ta transkordonne spivrobitnictvo mizh Ukraïnoyu ta ES. Elektronnij resurs. Rezhim dostupu: <http://www.mfa.gov.ua>; Goblik V.V. Rol transkordonnogo spivrobitnictva u procesi evropejskoï integracii Ukraïni. V: Evroregionalne spivrobitnictvo Ukraïni ta jogo integracijnij potencial. Zbirnik nauk. prac /Vidp. red.I.O. Artomov.- Uzhgorod: ZakDU, 2012. – s. 27.

¹⁰ Pro zatverdzhennya programi rozvitku transkordonnogo spivrobitnictva na 2011-2015 rr.: Postanova KMU vid 1 grudnya 2010 r. N° 1088 /Elektronnij resurs. Rezhim dostupu: <http://zakon2.rada.gov.ua>

¹¹ Nosa N.O. Rol mizhnarodnoï asociacii institucii regionalnogo rozvitku (MAIIPP) v osnovi evropejskogo spivrobitnictva. V: Evroregionalne spivrobitnictvo Ukraïni ta jogo integracijnij potencial: zbirnik nauk. prac za materialami kruglogo stolu ekspertiv (m. Uzhgorod 20. 04. 2012). Vidp. red. I.V. Artomov. – Uzhgorod: ZakDU. – s. 137 -138.

¹² The 6-th Europe-Ukraine Forum. Budapest, 12-14 May, 2013. Gorshenin institute. Ukraine 2012. Report on transformation. Institute for Eastern Studies, 2013. p. 35-38, 54-78, // www.Economic-forum.pl.

3. CONCLUSION

By the above mentioned conclusion, there is an urgent need to introduce cost-oriented model of euro regions in Ukraine, that will help optimize the impact carried by governance system of regional economic development in the context of providing of the overall dynamics focused in a positive direction and providing access to new quality of cooperation in euro regions targeted on the implementation of economic projects and creating conditions to attract private funds to implement euro regional cooperation.

Transition to a new level of management of transboundary processes, adoption of its standards to the Association with the EU, FTZ and in a prospective with conditions of membership of Ukraine in the EU requires from the Verkhovna Rada of Ukraine, the Cabinet of Ministers of Ukraine, regional administrations and councils to improve institutional provisions of the cross and transborder cooperation through division functions of powers of local and central executive authorities, bodies of local self government on cross and transborder cooperation.

Formation of a new policy of cross and transborder and euro regional cooperation involves introduction of the range of measures on synchronous modernization tools of regional development in Ukraine by the Cabinet of Ministers of Ukraine..

The cross and transborder cooperation development, that has a significant role in solving problems of cross border territories related to peripheral location promotes doing-business activities and acceleration of the social and cultural changes which are prerequisite for good neighborhood relations and as a result will brings Ukraine to European integration.

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